REMARKS

Claims 1, 4-8, 11-16, 24-25, 27, 29-32 and 49-54 are pending in the present application. Claims 26, 33, and 34 have been cancelled without prejudice. Claims 1, 6, 12, 24, 25 and 49 have been amended. New claims 50-54 have been added. Support for the new claims may be found in the claims as originally filed and the specification, for example at pages 4, 5, 6, 12, 13, 21, 24, and 26 and in the figures. Applicants reserve the right to prosecute the claims as originally presented in a future continuing application. Applicants reassert their previously made arguments in order to reserve them for appeal, if necessary.

The Examiner has withdrawn the anticipation rejection over Fernandez-Holmann and admits that Fernandez-Holmann does not teach the claim element that the rebate is provided by a registered merchant. The claims stand rejected as allegedly being obvious over Fernandez-Holmann (U.S. Pat. No. 5,787,404) in view of Bednarek (U.S. Pat. No. 6,965,868). Applicants respectfully disagree and submit that:

1) the present inventors made their invention prior to the earliest priority date of Bendarek;
2) the Examiner has misapplied sections of the MPEP in relation to the claims and failed to give patentable weight to certain claim elements and method steps; and
3) the Examiner has ignored evidence of record related to secondary considerations of non-obviousness.
4) the cited references teach away from the claimed invention and thus fail to teach or suggest the claimed invention; and
5) the Examiner has failed to establish a prima facie case of obviousness because the Examiner has ignored specific claim limitations and the Applicants previous arguments regarding those the claims.

In addressing the rejections below, Applicants first focus specifically on independent Claims 49, 50 and 53 then address the remainder of the claims.

1. The Bednarek Reference Should be Removed

The Examiner's attention is respectfully directed to the accompanying 37 C.F.R. 1.131 Declaration of inventor Michael Thompson. This declaration establishes that the claimed invention was invented prior to the earliest priority date of Bednarek (i.e., August 3, 1999). Once, Bednarek is removed, the Examiner's alleged prima facie case of obviousness with respect to the claims fails because, as acknowledged by the Examiner, Fernandez-Holmann does not teach or suggest each element of the claims (thus necessitating the combination with Bednarek). Accordingly, Applicants respectfully request that this ground of rejection be withdrawn and the claims passed to allowance. In this regard, the Examiner is respectfully reminded of MPEP 707.07(g), which provides that: "Piecemeal examination should be avoided as much as possible. The examiner ordinarily should reject each claim on all valid grounds available . . . ."

2. The Examiner has misapplied sections of the MPEP by not giving certain claim elements patentable weight

a. Independent Claims 49, 50, and 53

The Examiner has given no patentable weight to the claim element of "higher education account." In maintaining this argument, the Examiner failed to address Applicants arguments regarding the cited sections of the MPEP. As a result, the Examiner failed to address Applicants rebuttal of the alleged *prima facie* case of obviousness. This is a procedural error. For clarity, those arguments are restated here. Claim 49 specifies in step c that rebates from merchants are credited to an education account and step d specifies paying down education loan debt by using the educational account established in step c. With respect to Claim 49, the Examiner states that the payee of any account distribution is "nonfunctional descriptive matter (tantamount to a payee on a paper check), which does not impart patentability (MPEP 2112.01 III)." MPEP 2112.01 III addresses the situation of printed matter that is not functionally related to a product. The Example given is a claim to kit with printed instructions. The step of using the education account to pay down education loan or debt is not instructions for a kit or printed matter. It is an affirmative step in a process that produces a useful, concrete and tangible result – paying down education loan debt. This is not an intended use, it is the actual step of paying down education loan debt with the account established in step c

of Claim 49. New Claims 50-54 further clarify this distinction. Claim 50 requires a memory device comprising higher education accounts configured to electronically receive said rebate amounts as a credit via said computer network, and Claim 53 requires electronically transferring said rebate amount to a higher education account resident on a computer memory device. These accounts have defined characteristics and functions as described in the Haugen and Duncan Declarations and are distinct from the retirement accounts described in Fernandez-Holmann.

The Federal Circuit has held that *State Street Bank & Trust Company v. Signature Financial Group, Inc.*, 149 F.3d 1368, 47 USPQ2d 1596 (Fed. Cir. 1998) that processes that result in tangible, useful, and concrete results are patentable subject matter. The invention as a whole accomplishes such a result – paying down education loan debt. In effect, payments made by a registered merchant to users are transformed so that education loan debt is paid down. The issue in *State Street Bank* was whether the district court erred in holding that the transformation of data, representing discrete dollar amounts, through a series of mathematical calculations, by a machine, into a final share price, does not constitute a practical application of a mathematical algorithm, formula or calculation. The Federal Circuit held that this transformation constitutes a practical application of a mathematical algorithm, formula, or calculation because it produces a useful, concrete, and tangible result. Hence, the transformation is eligible subject matter because it passes the test for utility. Likewise, the transformation claimed in Claim 49 is eligible subject matter, and must be given patentable weight, because a useful, concrete and tangible result is obtained.

Furthermore, it is improper to consider step d of Claim 49 (and the related steps and system elements in claims 50-54) as nonfunctional descriptive matter. Nonfunctional descriptive matter is described in the MPEP as music, literary works, or a compilation or mere arrangement of data. MPEP 2106.01. The step of paying down education loan debt with merchants rebates accumulated in an educational account is not remotely connected to any of these exemplary categories. The Examiner's focus on the payee of a check is misplaced and is a misreading of the claim which requires paying down education loan debt with educational account established in step c as there is no reference to a payee or

check. Instead, the specific action of paying down education loan debt is specified and should be given patentable weight. Furthermore, Claim 49 is not directed to a "data structure" per MPEP 2601.1 or data otherwise stored on a computer medium such as a CD or DVD containing music files. Instead, the claims are directed to a system for using rebates to pay for higher education and in particular designate specific types of defined accounts as explained in more detail below. MPEP 2106.01 is intended to prevent claiming data structures and computer media upon which data resides, not to prevent patenting systems with physical components that interact to perform a designated functions.

All of the claims recited in the present application are patent eligible subject matter consistent with the PTO's reviewing court's recent decision: *In re Stephen W. Comiskey* (Fed. Cir. Sept. 20, 2007). The claimed subject matter is patentable, *inter alia*, it neither "merely claim[s] a mental process standing alone" (slip op., at 20) nor a system that "depend[s] entirely on the use of mental processes . . . [or] human intelligence alone" (id. at 21). As is evident, the claims require a computer processor for the invention's objective of funding an educational account through a network, a task that is beyond mere mental steps and human action. The invention's application involves a significant number of credit and debit card transactions. Credit and debit card transactions are processed utilizing near-instantaneous electronic communications and computer networks where card information is captured, transmitted to a distant location for authorization and then a return message is sent to indicate whether the transaction is accepted or denied by the card issuing entity. In fact, credit and debit card transactions wouldn't be possible without electronic communications and computer networks because there would be no way for the merchant to know whether there are adequate funds to pay for the customer's proposed purchase in a timely manner. It is in this environment that the rebate network manager operates to capture and store potentially millions of transactions for potentially millions of registered members with numerous registered merchants, with a rebate calculated and tallied for each qualifying transaction to enable a registered member, or other appropriate third party, to access respective account balances via a computer network such as the internet. Also, the invention's application involves a significant number on transactions with on-line merchants which utilize the vast array of electronic

and computer networks and computer processors constituting the internet or World Wide Web. The claimed subject matter is thus "on the side of the line defining statutory subject matter", *inter alia*, due to the requirement of the use of a computer.

Additionally, with respect to Claim 49, the Examiner states that it is common and therefore obvious to write checks from long term investment accounts for higher education funding. This conclusory statement fails to take the claims as a whole into consideration and amounts to hindsight reconstruction. When applying 35 U.S.C. §103, the references must be considered as whole and must suggest the desirability and thus the obviousness of making the combination.[1] As explained by the Federal Circuit:

> To prevent the use of hindsight based on the invention to defeat patentability of the invention, this court requires the examiner to show a motivation to combine the references that create the case of obviousness. In other words, the examiner must show reasons that the skilled artisan, confronted with the same problems as the inventor and with no knowledge of the claimed invention, would select the elements from the cited prior art references for combination in the manner claimed.[2]

The Examiner' conclusory statement falls well short of this standard. Such unsupported statements are exactly what the *Rouffet* court sought to prevent. The Federal Circuit stated:

> The Board did not . . . explain what specific understanding or technological principal within the knowledge of one of ordinary skill in the art would have suggested the combination. Instead, the Board merely invoked the high level of skill in the art. If such a rote invocation could suffice to supply a motivation to combine, the more sophisticated scientific fields would rarely, if ever, experience a patentable technological advance. Instead, in complex scientific fields, the Board could routinely identify the prior art elements in an application, invoke the lofty level of skill, and rest its case for rejection. To counter this potential weakness in the obviousness construct, the suggestion to combine requirement stands as a critical safeguard against hindsight analysis and rote application of the legal test for obviousness.[3]

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1 *Hodash v. Block Drug Co., Inc.*, 786 F.2d 1136, 1143, n. 5, 229 USPQ 182, 187, n.5 (Fed. Cir. 1986).

2 *See In re Rouffet et al.*, 149 F.3d 1350, 47 USPQ2d 1453 (Fed. Cir. 1998).

3 *Rouffet*, 47 USPQ2d at 1458.

In the instant case, the Examiner has failed to show reasons why a skilled artisan would use a long term investment account as described in Fernandez-Holmann to fund or pay for post-high school (*i.e.*, post-secondary) education or contribute to a higher education institution (*e.g.*, college, university, or trade school) as presently claimed. In fact, as shown in the attached Declaration of Philip Duncan (an accountant who performs services for TuitionFund LLC), the types of accounts described in Fernandez-Holmann would not be used to pay for educational expenses or debt. Making the conclusory statement that it is common to write checks from a long-term investment account and therefore obvious fails to consider the invention as whole and how the account that is being used is created. Furthermore, as explained in Section 1b. below, in making this rejection the Examiner has failed to consider evidence of record. Thus, the Examiner's conclusory arguments fall short of rebutting the evidence and Applicant's previous arguments.

In the Advisory Action, the Examiner states that it is common and therefore obvious to write checks from a long-term investment account to pay for education and relies on his personal experience in that matter. However, this argument fails to address the Applicants argument regarding consideration of the invention as a whole. KSR does not overrule the substantial precedent regarding consideration of the invention as whole. Just because long-term investment accounts can be used to pay for education does not mean that it is obvious to use accounts funded by rebates as required by the claims to be used to fund educational accounts. The evidence present in the various Declarations submitted by the Applicants directly addresses this point and has been ignored by the Examiner. The Examiner is respectfully reminded that KSR specifically relies on Graham v. Deere and holds that secondary considerations of non-obviousness, such as those established by the Declarations, must be considered and are relevant to patentability. The Examiner has failed to explain why, if it is so obvious to use accounts created in the claim manner to pay for educational costs, why nobody had implemented such a system prior to Applicants priority date for this application. The Declarations establish that there was need, that the need had not been addressed, and that similar

systems have had commercial success. All of these factors weigh in favor of patentability of the presently claimed invention.

b. Independent Claims 1 and 24

With respect to independent Claims 1 and 24, the Examiner argues that the claim element of a "higher education account" is a nonfunctional claim element. The Examiner has given no patentable weight to the claim limitation of "higher education account." In maintaining this argument, the Examiner failed to address Applicants arguments regarding the cited sections of the MPEP. As a result, the Examiner failed to address Applicants rebuttal of the alleged *prima facie* case of obviousness. This is a procedural error. For clarity, those arguments are restated here.

Section 2106.01 of the MPEP provides that "nonfunctional descriptive material" includes but is not limited to music, literary works, and a compilation or mere arrangement of data. As defined in the specification:

> the term "higher education account" refers to a financial account that is **<u>used</u>** to **<u>fund</u>** or **<u>pay</u>** for post-high school (*i.e.*, post-secondary) education or **<u>contribute</u>** to a higher education institution (*e.g.*, college, university, or trade school). Examples of higher education accounts include, but are not limited to student loan payment accounts, educational IRAs, college fund savings accounts, college charitable contribution accounts, and state 529 accounts. Funds may be held in the accounts (*e.g.*, to collect interest) before being transferred to a higher educational institution or student loan creditor.

(Emphasis added). This is a functional definition – a "higher education account" has a particular use or function and certainly is not music, a literary work, or a compilation or arrangement of data within the context of Section 2106.01 of the MPEP. As was the case with Claim 49, Independent Claims 1 and 24 are not directed to data structures or to data which resides on a computer medium per Section 2106.01 of the MPEP. In particular, a "higher education account" as defined in the specification does not fall within these categories. As indicated in the Haugen Declaration attached hereto, a higher education account is a tangible asset that is part of the systems and methods claimed. Additionally, as indicated in the Duncan Declaration, the educational accounts described in the present claims are functionally distinct from the retirement accounts described in Fernandez-Holmann.

Section 2106.01 provides that:

> When nonfunctional descriptive material is recorded on some computer-readable medium, in a computer or on an electromagnetic carrier signal, it is not statutory since no requisite functionality is present to satisfy the practical application requirement. Merely claiming nonfunctional descriptive material, i.e., abstract ideas, stored on a computer-readable medium, in a computer, or on an electromagnetic carrier signal, does not make it statutory.

The practical application requirement is described in Section 2106:

> The claimed invention as a whole must be useful and accomplish a practical application. That is, it must produce a "useful, concrete and tangible result." *State Street*, 149 F.3d at 1373-74, 47 USPQ2d at 1601-02. The purpose of this requirement is to limit patent protection to inventions that possess a certain level of "real world" value, as opposed to subject matter that represents nothing more than an idea or concept, or is simply a starting point for future investigation or research (*Brenner v. Manson*, 383 U.S. 519, 528-36, 148 USPQ 689, 693-96 (1966); *In re Fisher*, 421 F.3d 1365, 76 USPQ2d 1225 (Fed. Cir. 2005); *In re Ziegler*, 992 F.2d 1197, 1200-03, 26 USPQ2d 1600, 1603-06 (Fed. Cir. 1993)).

The instant claims have practical application. The term "higher education account," as defined in the specification, has a specific functional application and indicates affirmative steps that produce useful, concrete and tangible results; it is used to "**fund**" or "**pay**" the costs normally incurred for post-high school education such as tuition, fees and books or can be used to "**contribute**" to a higher education institution (ie. **contribute** to a college education or scholarship fund which **funds** or **pays** the education of a worthy recipient, or a college's capital improvements fund to **pay** the cost of construction of new educational facilities, etc).

Claims must be read in light of the specification. Thus, when the term "higher education account" is considered, it must be read in light of the specification, which provides a specific definition indicating how the account is used. The definition indicates that the accounts are "used to **fund** or **pay** for post-high school (*i.e.*, post-secondary) education or **contribute** to a higher education institution (*e.g.*, college, university, or trade school)." Thus, the accounts are distinguished from the accounts of Fernandez-Holmann which are retirement accounts. The accounts are used to "**fund**" or "**pay**" the costs normally incurred for post-high school education such as tuition, fees and books or can be used to "**contribute**" to a higher education institution within the holding of *State*

Street Bank & Trust Company v. Signature Financial Group, Inc., 149 F.3d 1368, 47 USPQ2d 1596 (Fed. Cir. 1998).

As stated in MPEP Section 2106.01, USPTO personnel must consider all claim limitations when determining patentability of an invention over the prior art. *In re Gulak*, 703 F.2d 1381, 1385, 217 USPQ 401, 403-04 (Fed. Cir. 1983). Applicants respectfully submit that the Examiner has failed to give proper patentable weight to the term "higher education account." Neither Fernandez-Holmann nor Bednarek teach crediting higher education accounts with rebates offered by a merchant (Claim 1) wherein the accounts are used to "**fund**" or "**pay**" the costs normally incurred for post-high school education such as tuition, fees and books or can be used to "**contribute**" to a higher education institution or using such an account to pay down education loan debt (Claim 49). Accordingly, the Examiner has failed to establish a prima facie case of obviousness.

3. The Examiner has failed to consider evidence of record

It is well settled that the PTO "bears the initial burden of presenting a prima facie case of unpatentability . . . . However, when a prima facie case is made, the burden shifts to the applicant to come forward with evidence and/or argument supporting patentability." *In re Glaug*, 283 F.3d 1335, 1338 (Fed. Cir. 2002). Rebuttal evidence is "merely a showing of facts supporting the opposite conclusion." *In re Piasecki*, 745 F.2d 1468, 1472 (Fed. Cir. 1984). Evidence rebutting a prima face case of obviousness can include: "evidence of unexpected results," *Pfizer, Inc. v. Apotex, Inc.*, 480 F.3d 1348, 1369 (Fed. Cir. 2007), evidence "that the prior art teaches away from the claimed invention in any material respect," *In re Peterson*, 315 F.3d 1325, 1331 (Fed. Cir. 2003), and evidence of secondary considerations, such as commercial success and long-felt but unresolved needs, *WMS Gaming, Inc. v. Int'l Game Tech.*, 184 F.3d 1339, 1359 (Fed. Cir. 1999). When a patent applicant puts forth rebuttal evidence, the Board must consider that evidence. *See In re Soni*, 54 F.3d 746, 750 (Fed. Cir. 1995) (stating that "all evidence of nonobviousness must be considered when assessing patentability"); *In re Sernaker*, 702 F.2d 989, 996 (Fed. Cir. 1983) ("If, however, a patent applicant presents evidence relating to these secondary considerations, the board must always consider such evidence

in connection with the determination of obviousness."). Applicants respectfully submit that the Examiner has failed to consider rebuttal evidence in this case.

First, the Examiner previously admitted on the record that "the most telling evidence that the invention satisfies a long-felt need and has the potential to be commercially successful is that it has three, apparently viable, competitors, all whom first launched substantive websites over a brief period in 2000-2001. The three competitors are Upromise, Babymint, and EdExpress (Mulrean, which has hyperlinks to the three websites)." Office Action dated January 19, 2007 at 5. The Examiner failed to consider this evidence and this statement with respect to the current rejection even though it was specifically brought to the Examiners attention that this evidence would apply to any obviousness rejection over Fernandez-Holmann. In the Advisory Action, the Examiner states that he is not required to give weight to this finding a fact. That is not the law.

Second, Applicants also argued in their last response that the previous Declarations submitted by Michael Thompson and several merchants who used the system were also relevant to the rejection over Fernandez-Holmann. Again, the Examiner failed to address the impact of these declarations on the obviousness rejection over Fernandez-Holmann.

Third, the Examiner has failed to consider the Second Declaration of Michael Thompson and the letters attached thereto submitted with Applicant's last response. Instead of considering that evidence, the Examiner argues that these declarations cannot overcome the rejection because the claimed educational limitations do not distinguish over the prior art because they are nonfunctional or obvious. However, as explained above, the term "higher education account" as used in all of the claims and the step of "using said educational account to pay down education loans and/or debt" as positively claimed in Claim 49 provide useful, concrete and tangible results and thus must be given effect.

In this regard, the Examiner's attention is respectfully directed to the Federal Circuit's recent decision in *In re Sullivan*, Slip Op. 2006-1507 (Fed. Cir. 2007)(attached hereto for the Examiner's convenience). In *Sullivan*, the Board refused to consider Declaration evidence stating that "[s]ince we have placed not [sic] weight on the intended use of appellants' composition we do not address these arguments of the Declarations."

Id. at 6. The Federal Circuit found that the Declarations addressed more than just the use of the claimed composition and that by failing to consider the Declarations, the Board committed error. *Id*. at 12. As indicated by the Federal Circuit, the claimed invention "cannot be held to have been obvious if competent evidence rebuts the prima facie case of obviousness." *Id*.

Likewise, the Declarations submitted by Applicants in this case address more than just use of higher education accounts. The Merchant Declarations established that:

> [T]here is no other system previously or currently available in which a merchant such as myself can directly offer a purchase incentive such as a rebate on total purchases that is administered by a Rebate Network Manager . . . . The TuitionFund system offers substantial advantages over coupon based incentive systems and incentive systems offered directly by manufacturers. First, the system operates in the background so my retail sales employees do not have to accept and process coupons presented by customers. Second, the system is easy for customers to participate in because they do not have to save and present coupons or mail-in rebates. Third, the system allows a merchant such as myself to directly develop customer loyalty to retail sales outlets without relying on manufacturer incentives and without relying on the manufacturer to honor offered incentives. Fourth, the system allows rebates on total purchases of multiple products as opposed to rebates on particular products from a particular manufacturer.

Further, as indicated by the merchants, there was a high level of enthusiasm for the claimed system by consumers they had contact with.

The commercial success of the system is established by the high level of participation from both consumers and merchants, as well as the success of the competitors as noted by the Examiner in the current Office Action. As established in the First Thompson Declaration, during the trial of the system:

> [O]ver 9000 customers, 236 brick and mortar merchants and 645 on-line merchants registered with TuitionFund. This strong response over a short period of time certainly indicates the success of the system and the need for such a system.

The Second Thompson Declaration and the letters attached thereto establish that the cost of higher education is a serious and unresolved problem. The claimed program allows families to meet the gap in funding for paying for college, start saving for college, and supplement other savings for college with little extra effort as indicated in the attached

letters. This is an important consideration because the real need for average American families, as indicated in the letters, is a way to easily start saving for college and cover gaps in paying for college, not pay for all costs associated with college with any one particular program or savings method. No other program allows for a convenient method to start saving for college or save a portion of money required for college by directing purchases to merchants offering rebates to purchasers, where the program is transparent to the merchants offering the rebates. As stated by Dr. Troutt, this serves a great need.

Fourth, Applicants previous response contained an extensive factual discussion of the differences between saving for retirement as taught in Fernandez-Holmann and saving for educational purposes as presently claimed. Applicants further established that Fernandez-Holmann teaches away from the pending claims (discussed in more detail in Section 3). The Examiner failed to address any of these facts in the current rejection. Those facts are resubmitted herein in the form of the Declaration of Larry Haugen.

4. The cited references teach away from the claimed invention.

A person of skill in the art, considering the cited references and art as a whole, would conclude that both Fernadez-Holmann and Bednarek teach away from the claimed invention. The Examiner's attention is respectfully directed to the accompanying Declaration of Larry Haugen (the Haugen Declaration). As indicated by Mr. Haugen, Fernadez-Holmann teaches at Column 1, lines 59-63, that systems wherein the merchant offers the rebate are "disadvantageous since particular merchants are required to be associated with the system, and the consumer may only make purchases at those merchants in order to receive the rebate into his account." Fernadez-Holmann further teaches at Column 2, lines 15-21 that "It is still further object of the present invention to provide such a system which gives the consumer automatic rebate-funded payments into his investment account which do not need to be repaid and which are based on purchase of goods or services made by the consumer, **and which is not dependent on merchants or stores becoming members of the particular rebate plan.**" Thus, as indicated by Mr. Haugen, Fernadez-Holmann teaches away from the need for merchants to be associated with a system (i.e, the claim element of a registered merchant) and

With respect to Bednarek, the Examiner argues that Bednarek teaches that the rebate is offered by a registered merchant and that "<u>because</u> this would solve the free rider problem identified by Bednarek (the merchant benefits, but does not pay, col. 16, lines 57-59), it would have been obvious to one of ordinary skill in the art, at the time of the invention, to add the teachings of Bednarek to those of Fernandez-Holmann." In fact, Bednarek teaches away from the claimed invention, especially when the portion of Bednarek cited by the Examiner is viewed in context. The Examiner's attention is again directed to the Haugen Declaration. The paragraph the Examiner cites to provides the following:

> One problem with the credit card incentives is that savvy users can take advantage of the system by making charges to earn rewards and then consistently paying off their balance in full so that the financial institution does not make any money. In such instances, the customer and merchant both benefit, but the financial institution does not have an incentive for maintaining the program. One solution is to require a merchant to fund the rebate entirely, if this happens, then the merchant might implement a program that makes awards regardless of the form of payment and the financial institution loses a valuable tool for increasing its credit card base. A more elegant solution, according to the present invention, is to implement an incentive program that allows for the discrimination between profitable customers and non-profitable customers that allows <u>**the financial institution to reward**</u> (and thus retain) profitable customers, while minimizing the reward to less profitable customers.

(emphasis added). As indicated by Mr. Haugen, this paragraph actually teaches that if the merchant funds the rebate, there is a risk that the merchant will implement a program that makes rewards regardless of the form of payment and the financial institution loses a tool for increasing its credit card base. Thus, Bednarek teaches away from the merchant offering the rebate.

Mr. Haugen further notes that the Examiner has mischaracterized Bednarek. The Examiner states that the problem identified by Bednarek at col. 16 lines 57-59 is that the merchant benefits but does not pay, and characterizes the problem as a free rider problem. This is not accurate. The problem identified is that a credit card user can pay off the balance so that the financial institution does not make money. The merchant paying the rebate is identified as a risk, or additional problem, because the merchant could decide to implement a program regardless of the form of payment. Thus, Bednarek teaches away

from the merchant offering the rebate and as the boldened language in the above paragraph which was taken from Bednarek implies, the financial institution, and not the merchant is providing the reward in Bednarek.

According to the Supreme Court, obviousness analysis requires: A) Determining the scope and content of the prior art; B) Ascertaining the differences between the prior art and the claims in issue; C) Resolving the level of ordinary skill in the art; and D) Evaluating evidence of secondary consideration of nonobviousness. Graham v Deere, 383 US 1, 17-18 (1966); MPEP 2414I. The Supreme Court recently addressed the issue of obviousness in KSR Int'l Co. v. Teleflex, Inc. 127 S. Ct. The KSR Court recognized that most, if not all, invention "rely upon building blocks long since uncovered, and claimed discoveries most of necessity will be combinations of what, in some sense, is already known." KSR, 127 S. Ct. at 1741. The Court explicitly recognized that a finding of obviousness is not proper when the prior art teaches away from the claimed invention. To illustrate this principle, the Court relied on its holding in United States v. Adams, 383 U.S. 39, 40 (1966). In Adams, the Court found the invention (a battery) was not obvious because the prior art taught away from combining certain known elements. In particular, the prior art warned that risks were involved in using the types of electrodes Adams employed. Id. As indicated by Mr. Haugen, Bednarek teaches away from combining the element of merchants offering a rebate with rebate systems such as Fernandez-Holmann because of the risk that the merchants will, in effect, cut the credit card issuer out of the loop by offering the reward on all forms of payment (ie. cash, checks, etc. in addition to credit cards).

The claim elements of registered merchants and merchants offering a rebate are present in independent Claim 49 as well as independent Claims 1 and 24. Accordingly, the two cited references teach away from each of the independent claims and claims dependent thereon. Where references teach away from the claimed invention, those references are not properly combinable to establish obviousness. *See Tec Air, Inc. v. Denso Manufacturing Michigan, Inc.*, 192 F.3d 1353 (Fed. Cir. 1999). Accordingly, the cited references do not establish a *prima facie* case of obviousness.

5. The Examiner has ignored specific claim limitations.

a) Rebates ranging from .01% to 30%

The Examiner states that Fernandez-Holmann teaches calculating rebates by a registered member on each purchase made by a registered member . . . wherein the rebate ranges from .01% to 30%. Claim 49 (and independent Claim 1 as well) provide that the registered merchant offers "rebates" ranging from .01% to 30%. The term "rebates" in Claim 1 is plural. The "rebates" range from .01% to 30%. Fernandez-Holmann teaches at col. 6, lines 14-19 that the rebate offered is a fixed amount, e.g., 2% of the accumulated value of purchases over a period of time. Thus, only one rebate is offered and the rebate applies to a value accumulated over time. This is in contrast to the claimed invention where the merchant offers rebates (plural) that range from .01% to 30%. As the Examiner will recognize, the only way that rebates (plural) can be offered is if they are offered on each purchase as opposed to accumulated purchases over time. This is a fundamental difference. In fact, Fernandez-Holmann teaches away from offering rebates that range from .01% to 30%.

The Examiner argues that a rebate is inherently calculated on each purchase/transaction by calculating a rebate on the user's aggregate purchases and that if only one purchase is made in a month, the step of calculating a rebate on each purchase is met. However, if only a single purchase is made, then the rebates cannot range from .01% to 30% because there is only one rebate. Fernandez-Holmann does not teach or suggest this feature of the claimed invention, in particular, that the merchants offer rebates (plural) that range from .01% to 30%. In fact, the Fernandez-Holmann system where rebates are on amounts accumulated over time is inconsistent with the claimed methods and systems. The Examiner's reliance on MPEP 2131.01 I is misplaced because that section addresses the example of a stated range being anticipated by a single value that falls within the range, not where it is required that there be a range of values as opposed to a single value. The present invention is useful precisely because the merchants offer a range of rebates so that each transaction or purchase can have a separate rebate associated with it. This same argument applies to independent claims 24 and 49 which both specify that the merchant offers rebates (plural).

Bednarek does not cure this defect and does not teach a system as claimed where the merchant offers rebates (plural) ranging from .01% to 30% for each transaction. Because

the step of calculating a rebate ranging from .01% to 30% for each transaction is not taught by the combined references, the Examiner has failed to establish a prima facie case of obviousness.

b) Registered merchants

As described above, the cited references teach away from the claim element of "registered merchants." The Examiner failed to address the Applicant's arguments regarding the claim limitation of "registered merchant" in the pending rejection. The Examiner makes the conclusory statement that Fernandez-Holmann teaches registered merchants "as subscriber merchants (col. 2 line 67), meaning subscribers to a credit card network. As applicants themselves note, the reference teaches that said merchants do not have to become part of a separate rebate program (col. 3 lines 35-40, emphasis added)." The Examiner is respectfully directed to the Haugen Declaration on this point.

The Examiner appears to have adopted the Applicants position and has failed to address Applicants specific arguments, which are repeated for clarity. At Column 2, lines 15-21, Fernandez-Holmann teaches:"It is still further object of the present invention to provide such a system which gives the consumer automatic rebate-funded payments into his investment account which do not need to be repaid and which are based on purchase of goods or services made by the consumer, **<u>and which is not dependent on merchants or stores becoming members of the particular rebate plan.</u>**" Column 3, third full paragraph further reiterates this point, providing: "The vast credit card network already in commercial use **<u>allows the present invention to be implemented without requiring merchants to become members in a separate rebate program, and the invention is thus transparent to the merchants and is managed only by the credit card issuer.</u>**" It is clear that the claimed "registered merchants" are not the "subscribers" of Fernandez-Holmann as alleged by the Examiner. The term "subscriber merchants" in the Fernandez-Holmann patent is a misnomer as merchants do not take any proactive step to participate in the rebate program as described in the Fernandez-Holmann patent. The Fernandez-Holmann systems and methods are designed to be automatic for all merchants accepting a particular credit card. In contrast, the present claims encompass systems and methods where particular merchants choose to be part of a rebate plan and register with a

Rebate Network Manager, thus becoming a registered merchant, or merchant registered with the rebate through the Rebate Manager as opposed to a mere credit card subscriber.

CONCLUSION

All grounds of rejection of the Office Action of July 19, 2007 have been addressed and reconsideration of the application is respectfully requested. It is respectfully submitted that Applicant's new claims should be passed into allowance. Should the Examiner believe that a telephone interview would aid in the prosecution of this application Applicant encourages the Examiner to call the undersigned collect at (608) 218-6900.

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